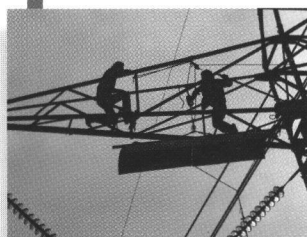
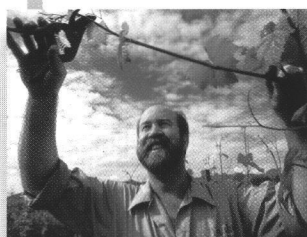
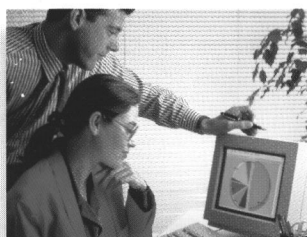


# European Economic and Social Committee



*European Economic and Social Committee*



# BULLETIN

# 1. 2000

## Facts and figures - January 2000

### PRESIDENCY

President: Beatrice RANGONI MACHIAVELLI  
(Italy - Various Interests)

Vice-presidents: Josly PIETTE  
(Belgium - Workers)

Aina Margareta REGNELL  
(Sweden - Employers)

Secretary-General: Patrick VENTURINI

### ORIGINS

The ESC was set up by the 1957 Rome Treaties in order to involve economic and social interest groups in the establishment of the common market and to provide institutional machinery for briefing the European Commission and the Council of Ministers on European Union issues.

The Single European Act (1986), the Maastricht Treaty (1992) and the Amsterdam Treaty (1997) have reinforced the ESC's role.

### MEMBERSHIP

The 222 members of the ESC are drawn from economic and social interest groups in Europe. Members are nominated by national governments and appointed by the Council of the European Union for a renewable 4-year term of office. They belong to one of three groups: Employers (Group I - president: Manuel Eugénio Cavaleiro Brandão - Portugal), Workers (Group II - president: Roger Briesch - France), Various Interests (Group III - president: Anne-Marie Sigmund - Austria). Germany, France, Italy and the United Kingdom have 24 members each, Spain has 21, Belgium, Greece, the Netherlands, Portugal, Austria and Sweden 12, Denmark, Ireland and Finland 9 and Luxembourg 6.

### THE MEMBERS' MANDATE

The task of members is to issue opinions on matters referred to the ESC by the Commission and the Council, as well as the European Parliament pursuant to the Amsterdam Treaty.

The ESC is the only socio-occupational advisory body that can be consulted by the EU Council of Ministers.

### ADVISORY ROLE

Consultation of the ESC by the Commission or the Council is mandatory in certain cases; in others it is optional. The ESC may, however, also adopt opinions on its own initiative. The Single European Act (17.2.86), the Maastricht Treaty (7.2.92) and the Treaty of Amsterdam (signed on 2.10.97) extended the range of issues which must be referred to the Committee: regional policy, environmental policy, employment policy, broad guidelines for economic policies, combating social exclusion, etc. Article 262 of the Treaty of Amsterdam also provides for consultation of the ESC by the European Parliament. The ESC produces 180 opinions a year (of which 15% are issued on its own initiative). All opinions are forwarded to the Community's decision-making bodies and then published in the Official Journal of the European Communities.

### INFORMATION AND INTEGRATION ROLE

Over the last few years the ESC has stepped up its role in the European Union and has trans-

scended the straightforward duties flowing from the treaties. It acts as a forum for the single market and has hosted, with the support of other EU bodies, a series of events aimed at bringing the EU closer to the people.

Diagram of the Community's decision-making process

### INTERNAL ORGANIZATION

#### 1. Presidency and Bureau

Every two years the ESC elects a Bureau made up of 21 members (seven per group), a president and two vice-presidents chosen from each of the three groups in rotation.

The president is responsible for the orderly conduct of the Committee's business. He is assisted by the vice-presidents, who deputize for him in the event of his absence.

The president represents the ESC in relations with outside bodies.

Joint briefs (relations with EFTA, CEEC, AMU, ACP countries, Latin American and other third countries, and the Citizens' Europe) fall within the remit of the ESC Bureau and the president.

The Bureau's main task is to organize and coordinate the work of the ESC's various bodies and to lay down policy guidelines for this work.

#### 2. Sections

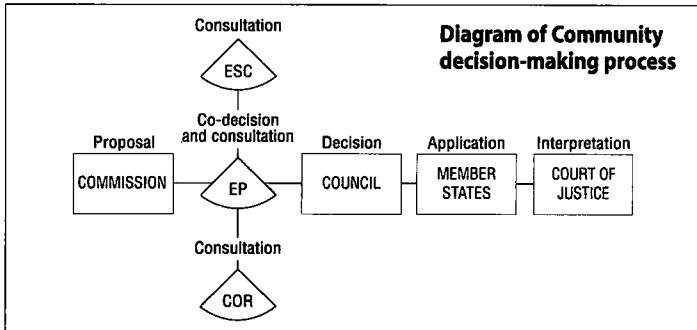
The Committee has six sections:

- Section for Economic and Monetary Union and Economic and Social Cohesion - secretariat tel. 546 9366 (president: Umberto Burani - Group I - Italy)
- Section for the Single Market, Production and Consumption - secretariat tel. 546 9598 (president: Klaus Schmitz - Group II - Germany)
- Section for Transport, Energy, Infrastructure and the Information Society - secretariat tel. 546 9611 (president: José Ignacio Gafo Fernández - Group I - Spain)
- Section for Employment, Social Affairs and Citizenship - secretariat tel. 546 9215 (president: Jan Olsson - Group III - Sweden)
- Section for Agriculture, Rural Development and the Environment - secretariat tel. 546 9687 (president: Etienne de Paul de Barchifontaine - Group III - Belgium)
- Section for External Relations - secretariat tel. 546 9537 (president: Tom Jenkins - Group II - United Kingdom)

#### 3. Study groups

Section opinions are drafted by study groups, varying in size from three to 15 members, including a rapporteur who may be assisted by as many as four outside experts.

### Diagram of Community decision-making process



#### 4. Other bodies

The ESC has the right to set up other ad hoc structures under its Rules of Procedure, known as sub-committees, for specific issues. It has also set up a permanent Single Market Observatory.

#### 5. Plenary session

As a rule, the full Committee meets in plenary session nine times a year. At the plenary sessions, opinions are adopted on the basis of section opinions by a simple majority. They are forwarded to the institutions and published in the Official Journal of the European Communities.

### EXTERNAL RELATIONS

#### 1. Relations with economic and social councils

The ESC maintains regular links with regional and national economic and social councils throughout the European Union. These links mainly involve exchanges of information and joint discussions every year on specific issues.

The ESC also liaises worldwide with other economic and social councils at the "International Meetings" held every two years.

#### 2. Relations with economic and social interest groups in third countries

The ESC has links with economic and social interest groups in a number of non-member countries and groups of countries, including Mediterranean countries, the ACP countries, central and eastern Europe, Latin America and EFTA. For this purpose the ESC sets up delegations headed by the president or a vice-president. Some meetings involving the countries of central and eastern Europe have been institutionalized with the agreement of the Council, e.g. with the Committee's counterparts in Hungary and - in the near future - with those in Bulgaria and Poland. There are also formal links with socio-economic interest groups in Turkey.

### PUBLICATIONS

The ESC regularly distributes a number of publications, including its main opinions in brochure format, a monthly newsletter entitled ESC INFO and its Annual Report.

### SECRETARIAT-GENERAL

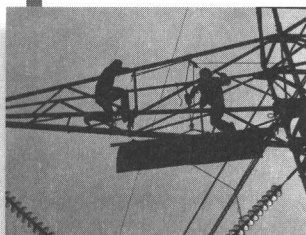
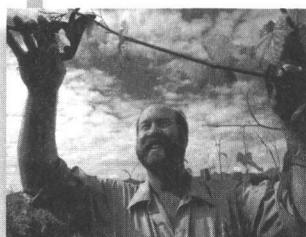
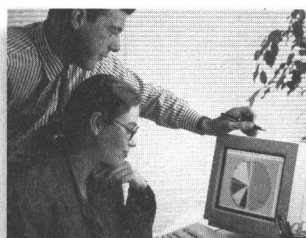
The Committee is serviced by a secretariat-general, headed by a secretary-general who reports to the president, representing the Bureau.

A total of 525 staff work for the Economic and Social Committee, of whom 354 belong to the "joint services", i.e. departments shared with the Committee of the Regions in accordance with the Cooperation Agreement signed by both institutions in June 1999. The ESC's annual budget is approximately 78 million euros.

# European Economic and Social Committee



European Economic and Social Committee



# BULLETIN

# 1. 2000

CES : 1

This Bulletin reports on the activities of the Economic and Social Committee, a European consultative assembly. It is published after plenary sessions in French, English and German. Versions in the eleven official languages of the European Union are available on the ESC Internet site (<http://www.esc.eu.int>).

The complete texts of ESC opinions are available:

- *in the Official Journal of the European Communities,*
- *on the CELEX database,*
- *at the ESC Internet site,*
- *on written request from the ESC General Secretariat.*

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## I. 369<sup>th</sup> PLENARY SESSION - 26 and 27 JANUARY 2000

The Economic and Social Committee held its 369<sup>th</sup> plenary session in the Committee building, Brussels, on 26 and 27 January 2000. The session was chaired by the president, **Mrs Rangoni Machiavelli**, and vice-presidents, **Mrs Regnell** and **Mr Piette**. It was attended by **Mr Francisco Seixas da Costa**, Portuguese State Secretary for European Affairs, representing the EU Council presidency-in-office, and by **Mrs Loyola de Palacio**, vice-president of the European Commission.

**Mr Seixas da Costa** noted that enlargement provided the backdrop to all the major challenges facing the Union at the moment. This context naturally meant that matters of an institutional nature were at the forefront of the Portuguese presidency's concerns. As much as possible would be done to achieve the legitimate ambition of reforming the institutions of the Union and providing some impetus to the necessary adaptation of the EU, its institutions and its various bodies to the challenges facing them.

On the questions of defence and security, the Portuguese presidency ought to take advantage of the opportunity created by the new spirit which the previous Finnish presidency itself managed to create in this policy area. At the end of its term of office, the Portuguese presidency intended to present a report on this subject which might eventually lead to changes to the Treaty itself.

**Mr Seixas da Costa** then turned to the extraordinary Summit which would be held in Lisbon to discuss employment, economic reforms and social cohesion. He felt that after the efforts undertaken following the launch of the Amsterdam Treaty - and after the three initiatives taken in Luxembourg, Cardiff and Cologne - there was no need for a fourth European initiative on employment. The Portuguese presidency did not wish to set up a "Lisbon process". It was, however, necessary to boost the links and consistency between these three initiatives. In particular, more effective use ought to be made of the information society and the whole gamut of innovation benefits which were fundamental for competitiveness gains throughout Europe and the world.

On the matter of food safety (an area in which the Union was undergoing successive crises), the Portuguese presidency took the view that steps towards the establishment of a European Agency could usefully be taken.

In her address, **Mrs de Palacio** began by recalling that the ESC had been established by the Treaty of Rome 43 years ago. European society had changed greatly since then; in the view of the Commission this called for certain changes in the Committee's composition and its work.

There was a need to review, as a result, the exclusive distribution of seats by Member States and by the various categories of economic and social activity. This did not mean abolishing representation based on Member State and categories of economic and social activity, but the Commission believed that there were new factors in civil society which somehow needed to be taken into account.

Moreover, it should be left to the Committee itself to assess the need for opinions, thus giving the ESC the initiative to decide its approach on the various Commission proposals. The Commission also believed that - regardless of the scale of EU enlargement - the Committee, like other EU bodies,

could not become too large as its effectiveness would ultimately suffer. Consequently, the number of members should be frozen at around its current level.

These proposals meant amending Article 257(2), which states that the Committee shall consist of representatives of the various categories of economic and social activity, and Article 258, which states that the number of members shall be X (depending on what is finally agreed).

Mrs de Palacio concluded by emphasizing that these suggested changes would leave the ESC's consultative role completely intact. However, the Committee needed to move from being a body representing specific economic interests to one more adequately representing civil society.

\*

\*      \*



In the course of the session, the Committee adopted the following opinions:

**Section for the Single Market, Production and Consumption**

**Joao Pereira dos Santos, Head of Division - ☎ (32-2) 546 9245**

**1. INSOLVENCY PROCEEDINGS**

**Opinion of the Economic and Social Committee**  
*on the Initiative of the Federal Republic of Germany and the Republic of Finland with a view to the adoption of a Council Regulation on insolvency proceedings, submitted to the Council on 26 May 1999*

(doc. 9178/99 + Cor. 1 - 99/0806 CNS)

(CES 79/2000 - 99/0806 CNS)

Rapporteur: Guido RAVOET (Belgium - Employers)

**Gist of the basic document**

The European Union has set itself the aim of establishing an area of freedom, security and justice.

This proposal concerns an initiative of the Federal Republic of Germany and the Republic of Finland aimed at regulating the field of insolvency proceedings.

It is necessary for the proper functioning of the internal market to avoid incentives for the parties to transfer assets or judicial proceedings from one Member State to another, seeking to obtain a more favourable legal position ("forum shopping").

The proposed regulation contains provisions governing jurisdiction for opening insolvency proceedings and for judgments which are delivered directly on the basis of the insolvency proceedings and are closely connected with such proceedings. In addition, it contains provisions regarding the recognition of these judgments, the law applicable, and the protection of certain interests.

In accordance with Articles 1 and 2 of the Protocols on the position of the United Kingdom and Ireland and Articles 1 and 2 of the Protocol on the position of Denmark, annexed, by the Treaty of Amsterdam, to the Treaty on European Union and the Treaty establishing the European Community,

these Member States will not participate in adoption of this Regulation unless they inform the Council that they no longer wish to avail themselves of all or the relevant part of these Protocols.

**Gist of the opinion**

The present proposal for a regulation repeats word-for-word the provisions of the Brussels Convention of 23 November 1995 on insolvency proceedings, with the exception of Chapter V of the Convention concerning interpretation by the Court of Justice.

The purpose of the initiative is to speed up implementation of the Convention and to make it directly applicable in the Member States, in order to improve insolvency proceedings with cross-border implications.

Notwithstanding its reservations, the Committee considers the text to be preferable to a total absence of rules governing insolvencies with an international dimension. It would however stress that it can only be a step towards a fuller and more ambitious measure. Efforts must in particular be pursued to ensure that the principle of the uniqueness and universality of insolvency is acknowledged.

In particular the Committee feels that at the very least, the emphasis of the text should be shifted to strengthening main rather than secondary proceedings. One way of doing this might be to reinforce the powers of the liquidator in the main proceedings, and to provide broader opportunities for securing stay of secondary proceedings.

It is pleased to note that an evaluation clause was added to the Brussels Convention shortly before it was finalised. Under this provision, the system as set up may be evaluated at the request of a contracting state and in any case ten years after its implementation (Article 53). A similar provision should be inserted into the proposed regulation. However, in the Committee's view, this evaluation should take place after five years.

## 2. COMMUNITY DESIGN

**Opinion of the Economic and Social Committee on the amended proposal for a Council Regulation (EC) on Community Design (presented by the Commission pursuant to Article 250 (2) of the EC-Treaty)**

(COM(1999) 310 final - 93/0463 CNS)

(CES 92/2000 - 93/0463 CNS)

Rapporteur working alone: Eero LEHTI (Finland - Various Interests)

### Gist of Commission document

In 1993 the Commission submitted to the Council and the European Parliament proposals for a Regulation on Community Design and for a Directive on the legal protection of designs. The Economic and Social Committee adopted a first opinion on 6 July 1994 and an additional opinion on 22 February 1995.

After the conciliation procedure with the European Parliament, the Directive was finally adopted on 13 October 1998. The long discussions on the Directive were one of the reasons for the delay in work on the Regulation.

Another reason for the delay in the work on the Regulation was the issue in 1994, of an important Opinion by the Court of Justice, saying that the Community should in creating a new Community design right by Regulation, use the same legal basis as for the Community Trade Mark Regulation, i.e. Article 308 of the Treaty. (The Commission's initial proposal for the Regulation was based on Article 95 of the Treaty.) For this reason the Commission is proposing to base the Regulation on Article 308 of the Treaty.

The proposal has also been changed to include all the relevant provisions on substantive design law now incorporated in the Directive.

It should be noted that a proposal with regard to the use and protection of spare parts under this Regulation will be submitted by the Commission in parallel with its future proposal to complete the internal market in respect of spare parts within the framework of the Design Directive. The Commission feels that this approach to the spare parts issue may not be the ideal solution, but that it fully

respects what was agreed in October 1998 on the Design Directive.

### Gist of the Opinion

The Committee believes that the design protection Directive already implemented and the complementary Regulation are important measures for the European Community. The absence of uniform design protection legislation has made the registration of designs through separate national systems an expensive and slow process. Small- and medium-sized enterprises in particular have not always succeeded in obtaining sufficiently extensive protection for their products.

The Committee feels that inclusion of the concept of unregistered designs in the Regulation will be effective. It will provide better design protection for products with a short real life span, such as textiles and toys. The concept and content of unregistered designs should, however, be clarified.

Nevertheless, the Committee considers that the wording of the draft regulation will require further honing to achieve conceptual clarity. The current proposal leaves too much scope for interpretation.

In addition the Committee feels it is necessary to bring certain specific points to the attention of the Commission in order to improve the clarity and hence the objectives and effectiveness of this important regulation.

## 3. TOURISM FOR EMPLOYMENT

**Opinion of the Economic and Social Committee on the Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on "Enhancing Tourism's Potential for Employment"**

(COM(1999) 205 final)

(CES 93/2000)

Rapporteur: Henri MALOSSE (France - Employers)

### Gist of Commission document

This Communication, reacting to the conclusions of the High Level Group on Tourism and Employment which were published in October 1998,

is part of the EU's commitment to place employment at the heart of Community actions. It reflects the need to use all available opportunities for innovative, environmentally sound and sustainable actions in favour of employment, and to establish new partnerships and new synergies leading to growth, together with additional and better jobs in underexploited areas of economic activity. It is also in keeping with the 1999 Employment Guidelines which contain a new commitment on the part of Member States to fully exploit the employment potential of the services sector where the EU is lagging far behind the US.

It is widely acknowledged that the potential contribution of European tourism to growth and employment and to sustainable development can be maximised by granting greater recognition to the importance of the sector, and through a greater integration of relevant Community policies. This would both facilitate the integration of legitimate tourism concerns at various levels of decision making, and encourage the process of modernisation of tourism-related services and the development of a new entrepreneurial culture in tourism, leading to a more competitive industry capable of maintaining its position in the face of strong competition from destinations outside Europe.

In its Communication the Commission welcomes the results of the High Level Group's work and emphasises the need to ensure an effective EU contribution to the development of European tourism. A more effective approach at EU level will require:

- the pooling and dissemination of qualitative and quantitative information, including best practice;
- the development of user-friendly information tools on EU programmes and initiatives of interest to tourism; and
- the development of a structured platform of consultation and cooperation with public authorities, the tourism industry and other interested parties.

The Communication also demonstrates the EU's substantial contribution towards improving the competitiveness of tourism through actions taken under various programmes and initiatives (i.e. the Structural Funds, the sustainable development

programme, the 5<sup>th</sup> RTD framework programme, the Information Society, training and enterprise policy) and illustrates how some of the important recommendations of the High Level Group might be implemented within these policies.

The Communication also points out that the impact of tourism on employment should also be seen in relation to the general liberalisation of inbound and outbound tourism for EU Member States, and to the fact that no major third countries still restrict the movement of people and their spending abroad on the basis of commitments taken under the General Agreement on Trade in Services (GATS).

### **Gist of the opinion**

The Committee has already ratified and endorsed the conclusions and recommendations of the High Level Group in its own-initiative opinion of March 1999. The Committee approves in principle the "new approach", which turns its back on the "clientelistic" practices of the past and replaces them with a more dynamic vision based on tourism's contribution to job creation.

The Economic and Social Committee calls for the launch of an Initiative for a European Tourism Strategy (IETS), to include:

- co-funding for pilot projects for exchanges of experience and benchmarking, by drawing existing action relay and local tourism observation facilities into a structured network;
- fast-track access to existing Community instruments to provide support for the regions which are most heavily dependent on tourism, and encourage innovation and partnership;
- effective implementation of competition rules to tourism, in order to combat the distortions, monopolies and oligopolies which make life insecure for hundreds of thousands of the industry's small businesses;
- more extensive social dialogue, particularly at European level, in order to improve skills, training and mobility levels, working conditions, working hours and job security;
- a study in leading sectors - and including experts and consumer and employee organisa-

- tions - into the case for a European Quality Charter with common standards and machinery for certification and assessment;
- useful details of the employment policies and social dialogue arrangements the Member States would be asked to comply with under the National Employment Plans;
- immediate implementation of the IETS initiative in the applicant countries, with particular regard to PHARE and SAPARD funding;
- annual publication of a Commission report on the implementation of the strategy, the impact of Community policy on the industry and the figures for allocation of European funding;
- an annual monitoring conference, involving the Member States, the relevant partners, the European Parliament and the Economic and Social Committee.

**Section for Transport, Energy Infrastructure and the Information Society**  
**Luigi Del Bino, Head of Division - ☎ (32-2) 546 9353**

#### 4. AIR TRANSPORT / GLOBAL CHALLENGES

**Opinion of the Economic and Social Committee on the *Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on The European Airline Industry: From Single Market to World-wide Challenges* (COM(1999) 182 final)**

(CES 80/2000)

Rapporteur: Alexander-Michael von SCHWERIN  
(Germany - Workers)

##### **Gist of the Commission document**

The airline industry has been challenged, during the last few years, by the opening of the European market, the adjustments required to deal with the new competitive environment and the pressure of the US open skies strategy.

The aim of the Commission communication is first to assess the progress which has been made and second to identify the initiatives which can contribute to the competitiveness of the industry.

With regard to the progress which has been achieved, the communication notes that airlines have developed innovative strategies which have resulted in considerable productivity improvements, which now permits the sector to create new

jobs. However they still suffer from relative structural fragmentation and financial fragility when compared to their main competitors.

Furthermore, the Commission has authorised state aid as a one-off measure to help national carriers to restructure during the transition to the liberalised single market.

The communication also identifies those deficiencies of the regulatory framework of air transport activities, which stand in the way of adjustment by European companies, and identifies the following policy orientation:

- The Commission uses all the tools at its disposal to ensure integration of the European market. This includes the application of EC competition law to prevent attempts to re-fragment the market through public intervention or anti-competitive alliances of mergers. The monitoring of public and private behaviour, the transparency of Community legislation and the definition and dissemination of best practices on a number of issues such as Public Service Obligations, are important elements in this regard.
- The elimination of technical obstacles to trade, in particular by faster and more efficient harmonisation of safety rules through the creation of a European Aviation Safety Authority and by giving impetus to ICAO activities in the environment field will help the industry.

- Ownership rules and the bilateral agreements system create obstacles to industry restructuring at European level and to fair competition with the open skies countries. The Commission argues, therefore, in favour of a genuine external dimension which would allow the alliances to be inserted within a fair European framework.
- Finally, the present inefficiencies of the market and the sensitivity of the sector to economic cycles and external shocks lead the Commission to develop its function as an observatory of the European air transport industry. For this purpose it is carrying out a long term project for the creation of a comprehensive database of the European airline industry. The information on the database will be available to the general public on the Commission's internet site. This tool will enable the Commission to monitor the evolution of the industry in general and of air fares in particular, focusing on routes and airports that give rise to *prima facie* excessive operating ratios.

#### **Gist of the opinion**

The Committee welcomes the detailed debate on the problems of the airline industry and endorses the general objectives of the Commission's communication, whilst making the following points:

- Minimum basic training and on-going in-service training should be introduced and enforced as a matter of urgency throughout the EU for all air transport workers in order to guarantee the quality and safety of services.
- It is essential that air traffic control systems in Europe be harmonised and Eurocontrol

strengthened. Eurocontrol should, the Committee feels, be given responsibility for setting standards for national air traffic control technology and binding procedures. National air traffic control should be assigned to the private sector. Only in this way can delays attributable to air traffic control problems be reduced.

- More emphasis should be placed on safety in air transport, as air transport is forecast to grow strongly over the next few years.
- Passenger rights must be firmly enshrined in law. It must be made possible to take action against the cause of denied boarding, delays or other inconveniences to passengers. The regulation providing for improved compensation of passengers for inconveniences suffered must finally enter into force.

The Commission's intention of dealing with the environmental aspects of air transport in a Communication is also welcomed. The Commission should also look at ways of improving the link between different modes of transport in Europe, particularly air and rail transport. Intermodality could bring many benefits for consumers and the environment.

The Committee strongly supports an open skies agreement between the EU and the USA in order to end the disadvantages suffered by European airlines vis à vis their US competitors. The Committee feels that this would further the Commission's objectives and also be in the interest of European consumers, employers and workers with a view to future social dialogue.

#### **Section for Agriculture, Rural Development and the Environment**

*Silvia Calamandrei, Head of Division - ☎ (32-2) 546 9396*

#### **5. VETERINARY MEDICINAL PRODUCTS - CODIFIED VERSION**

**Opinion of the Economic and Social Committee**  
on the *Proposal for a European Parliament and*

*Council Directive on the Community code relating to veterinary medicinal products (codified version)*  
(COM(1999) 213 final - 99/0180 COD)

(CES 81/2000 - 99/0180 COD)

Rapporteur working without a study group: Paolo BRAGHIN (Italy - Employers)

### **Gist of the Commission proposal**

With a view to simplifying Community law so as to make it clearer and more accessible, the Commission is codifying the directives relating to veterinary medicinal products.

The new directive will supersede the various directives incorporated into it (which are listed in Annex II, Part A); their content is fully preserved and they are brought together with only such formal amendments as are required by the codification exercise itself.

### **Gist of the opinion**

The Committee welcomes this codification, as it provides an essential reference point for the relevant authorities of the Member States. The proposed codification, reflecting a long-felt need, was finally included in the Commission's 1998 work programme and has now reached the proposal stage.

The Committee, while aware of the importance of this codification for the purposes of harmonising the rules governing the sector and transposing the directive into national legislation as rapidly as possible, recommends that the Commission verify that technical terms are used in a consistent and uniform way, possibly by setting up a team of experts representing all the official EU languages. Particular attention should be given to the following terms:

- adverse reactions/negative side effects;
- veterinary medicinal product/medicinal product / proprietary medicinal product;
- holder of marketing authorisation/authorisation holder/applicant; public health/human health/ animal health.

## **6. FISHERIES / CONSERVATION OF JUVENILE RESOURCES (4th amendment)**

**Opinion of the Economic and Social Committee on the Proposal for a Council Regulation amending for the fourth time Regulation (EC) No 1626/94 laying down certain technical measures for the conservation of fishery resources in the**

*Mediterranean and for the fourth time Regulation (EC) No 850/98 for the conservation of fishery resources through technical measures for the protection of juveniles of marine organisms (COM(1999) 552 final - 99/0222 CNS)*

(CES 82/2000 - 99/0222 CNS)

Rapporteur working alone: Eduardo CHAGAS (Portugal - Workers)

### **Gist of the Commission proposal**

The International Commission for the Conservation of Atlantic Tuna (ICCAT), at its 11th extraordinary session held in Santiago de Compostela, Spain, from 16 to 23 November 1998, recommended certain specific rules on minimum landing sizes of blue fin tuna. In particular, a previous recommendation to prohibit the landing of bluefin tuna of age 0, which was interpreted hitherto as fish weighing 1.8 kg, has been modified to prohibit any landing of fish below 3.2 kg, in order to give additional protection to juvenile fish. It was also recommended to change the dates of the existing closure for purse seine fishing.

The Community is a member of ICCAT and is therefore bound by these recommendations, which entered into force on 21 June 1999.

The rules about minimum landing sizes for bluefin tuna are set out in Council Regulation (EC) No 1626/94 and Council Regulation (EC) No 850/98 for the Mediterranean Sea and for regions 1 to 8 of the Atlantic and Indian Oceans, respectively. In order to comply with its international obligations, the Community must adapt these regulations in order to incorporate the ICCAT's recommendations. The present proposal aims to do so.

### **Gist of the opinion**

The ESC approves the proposal.

## **7. CMO / MILK**

**Opinion of the Economic and Social Committee on the Proposal for a Council Regulation amending Regulation (EC) No. 1255/1999 on the common organisation of the market in milk and milk products**

(COM(1999) 631 final - 99/0254 CNS)

(CES 83/2000 - 99/0254 CNS)

Rapporteur working without a study group: José BENTO GONÇALVES (Portugal - Various Interests)

#### **Gist of the Commission's proposal**

Council Regulation (EC) No. 1255/1999 on the common organisation of the market in milk and milk products provides for refunds on certain milk products when they are exported as products listed in Annex II to the Regulation.

This proposal is based on Articles 36 and 37 of the Treaty and, by means of an amendment to Article 31(14) of Regulation (EC) No. 1255/1999, confers on the Commission responsibility for amending the list of goods by including in it the milk products qualifying for export refunds. This new responsibility has already been conferred on the Commission in other agricultural sectors (cereals, sugar, rice, eggs); its purpose is to make the most efficient use of available resources.

#### **Gist of the opinion**

The ESC endorses the Commission proposal.

### **8. FISHERIES / CONSERVATION OF JUVENILE RESOURCES (5th Amendment)**

**Opinion of the Economic and Social Committee on the Proposal for a Council Regulation amending for the fifth time Regulation (EC) No. 850/98 of 30 March 1998 for the conservation of fishery resources through technical measures for the protection of juveniles of marine organisms**  
(COM(1999) 636 final - 99/0255 CNS)

(CES 91/2000 - 99/0255 CNS)

Rapporteur working alone: Eduardo CHAGAS (Portugal - Workers)

#### **Gist of the Commission proposal**

On 30 March 1998 the Council of Ministers adopted Council Regulation (EC) No. 850/98 for the conservation of fishery resources through technical measures for the protection of juveniles of marine organisms. After this regulation was adopted and published it became apparent that a number of data and developments brought to the Commission's attention should be incorporated into the regulation:

- a) provisions on the implementation of detailed rules for separator trawls or sorting grids in shrimp fisheries need to be established;
- b) recent scientific advice indicates the requirement for closure of fisheries for sand eels off the northeast coast of England and the east coast of Scotland;
- c) conditions for the applicability of national measures need to be redescribed, as the current description is in some respects unclear;
- d) minimum sizes for a number of bivalve molluscs and crustaceans need to be revised or introduced.

This proposal for a Council Regulation attempts to incorporate these changes by amending Regulation (EC) No. 850/98.

#### **Gist of the opinion**

The ESC approves the proposal, but calls upon the Commission to present a codified version of Regulation 850/98 as soon as possible, since it has now been amended five times.

**Section for Employment, Social Affairs and Citizenship**  
Wolfgang Jungk, Head of Division - ☎ (32-2) 546 9227

### **9. PROTECTION OF WORKERS FROM RISKS RELATED TO BIOLOGICAL AGENTS AT WORK**

**Opinion of the Economic and Social Committee on the Proposal for a European Parliament and**

*Council Directive on the protection of workers from the risks related to exposure to biological agents at work (Seventh individual Directive within the meaning of Article 16 (1) of Directive 89/391/EEC)*  
(COM(1999) 432 final - 99/0188 COD)



(CES 84/2000 - 99/0188 COD)

Rapporteur working alone: Thomas ETTY  
(Netherlands - Workers)

### **Gist of the Commission proposal**

In the context of a people's Europe, the Commission attaches great importance to simplifying and clarifying Community law so as to make it clearer and more accessible to the ordinary citizen, thus giving him new opportunities and the chance to make use of the specific rights it gives him.

This aim cannot be achieved so long as numerous provisions that have been amended several times, often quite substantially, remain scattered, so that they must be sought partly in the original instrument and partly in later amending ones. Considerable research work, comparing many different instruments, is thus needed to identify the current rules.

For this reason a consolidation of rules that have frequently been amended is also essential if Community law is to be clear and transparent.

The new directive will supersede the various directives incorporated in it, their content is fully preserved, and they are brought together with only such formal amendments as are required by the codification exercise itself.

### **Gist of the opinion**

The Committee endorses the Opinion of the Commission.

## **10. EQUAL COMMUNITY INITIATIVE**

**Opinion of the Economic and Social Committee**  
*on the Communication from the Commission to the Member States establishing the guidelines for Community Initiative Programmes (CIPs) for which the Member States are invited to submit proposals for support under the EQUAL initiative (COM(1999) 476 final)*

(CES 85/2000)

Rapporteur: Sukhdev SHARMA (United Kingdom  
- Various Interests)

### **Gist of the Commission proposal**

The aim of the EQUAL Community Initiative is transnational co-operation to promote new means of combating all forms of discrimination and inequalities in connection with the labour market. Due account will also be taken of the social and vocational integration of asylum seekers.

This initiative will build on lessons learnt from the EMPLOYMENT and ADAPT programmes. Transnationality, involvement of local and regional authorities, business sector participation and continuous active participation of partnerships at local or sectoral level will be essential elements.

Successful innovation and good practices developed under EQUAL should be disseminated and incorporated into mainstream Structural Fund programmes. EQUAL will be complementary to specific legislation and action programmes under Articles 13 and 137 of the Treaty and to actions developed to combat discrimination and social exclusion which go beyond the labour market area.

Each Member State is to choose at least one per "pillar" of the following thematic fields for the implementation of EQUAL taking into account the recommendations issued by the Commission in the context of the European employment strategy:

### **Employability**

- a) Facilitating entry and re-entry to the labour market in order to promote a labour market open to all
- b) Combating racism in the workplace

### **Entrepreneurship**

- c) Opening up the business creation process to all
- d) Increasing job quality in the social economy (the third sector)

### **Adaptability**

- e) Developing inclusive workplace practises and continuing vocational training
- f) Introducing information technologies, anticipating change and upgrading skills

### **Equal Opportunities for women and men**

- g) Developing new forms of work organisation to reconcile family and professional life
- h) Reducing gender gaps and supporting job de-segregation.

EQUAL will be jointly financed by the Member States and the Community. The total contribution of the European Social Fund for the 2000–2006 period is estimated to 2.8 billion EUR.

### **Gist of the opinion**

The ESC welcomes the commitment to integrate EQUAL within the overall European Employment Strategy and agree that innovative action in a trans-national context has much to offer.

The ESC agrees with the emphasis on involvement of local and regional authorities, and greater emphasis on the role of business in the programme. The importance of the involvement of NGOs and social partners in projects and the programme must not be overlooked.

A move to more strategic projects set firmly in both the relevant policy framework and in the local/regional context is welcome. There should, however, remain the possibility of smaller scale, focused projects also being supported and efforts should be made to integrate companies of all sizes including SMEs which constitute the motor for local development.

There is a need to ensure that gender equality issues are taken into account throughout the implementation of EQUAL, as well as other equality issues.

The ESC understands that the thematic fields put forward are indicative at this point. The final thematic areas should be more detailed with better explanations of what is meant – vague definitions in previous programmes have led to confusion and inefficiency.

The Development Partnership agreement will be a crucial document. Comprehensive guidance should be given to partnerships on what it should contain, and how it should be used throughout the life of the partnership.

Flexibility in the types of trans-national partnerships should be encouraged. All Member States

should take the same approach to trans-national working, so that conflicting policies do not apply to partners.

Demonstration of available co-funding should be reviewed. Current rules governing the source of co-funding, and audit requirements for its demonstration (particularly in relation to SMEs) have been seriously damaging to the operation of many projects and directly contradict the objectives of the Community Initiatives.

Consideration should be given to reducing the administrative burden, simplifying procedures and language, which arises from the application of ESF rules (which are essentially modelled on single year projects), by changing to multi-annual projects. Not only should it be possible to extend project timetables, but longer periods should also be considered from the start.

Monitoring and evaluation arrangements should be reviewed. They should ensure that ESF type statistical data is modified to include qualitative data which take innovation and piloting into account.

## **11. COORDINATION OF SOCIAL SECURITY SYSTEMS**

**Opinion of the Economic and Social Committee on the *Proposal for a Council Regulation (EC) on coordination of social security systems***  
(COM(1998) 779 final - 98/0360 AVC)

(CES 90/2000 - 98/0360 AVC)

Rapporteur: José Isaías RODRÍGUEZ GARCÍA  
CARO (Spain - Employers)

### **Gist of the Commission proposal**

Community provisions on the coordination of social security provisions date from 1971, when Council Regulation 1408/71 was adopted. Since that date the Regulation has been amended and updated on numerous occasions; it has had to adapt to take into account not only developments at Community level, including interpretations of the Court of Justice of the European Communities, but also changes in legislation at national level. Such factors play their part in making the Community coordination rules complex and lengthy. The need for a general overhaul of the legislation was recognized as early as 1992 when the Edin-

burgh Council appealed for simplification of the coordination rules.

This proposal therefore represents the fruit of an exercise which has been the subject of long and intense reflection.

To summarize briefly the main differences between the proposal and Regulation No. 1408/71:

Firstly, the text of the proposal is considerably shorter - reduced by two-thirds as compared to the Regulation. However, it is not just a question of slimming down. An immense effort has been undertaken to simplify and streamline concepts, rules and procedures. Nevertheless, in terms of its guiding principles and essential elements, the co-ordination system remains the same.

There are three major changes which will lead to new rights and new obligations, viz.:

- The proposed Regulation will apply to all persons who are covered by the social security legislation of a Member State. The term "person" replaces the current enumeration of "employed and self-employed persons", "members of their family" and "refugees". This means that the coordination system will cover persons who are not, as such, part of the "active" population but who, for certain areas, are affiliated to a social security scheme and who may exercise their right to free movement (students). Furthermore, adoption of that term means that the Community provisions will cover third-country nationals who are affiliated to a social security scheme in any Member State.
- The proposal extends the list of social security branches subject to the coordination arrangements to include new forms of benefit, such as pre-retirement benefits.
- The proposal changes a number of provisions regarding unemployment without, however, changing the basic structure of the existing system. At present, an unemployed person going to another Member State to look for a job there is entitled to continued payment of his unemployment benefits by the competent State for a period of three months from the date of his departure. The duration of entitlement to benefits has now been extended to six months.

The other new feature in the proposal is that an unemployed person will have the right to receive - under the same conditions as nationals - benefits other than cash benefits provided by a Member State and whose purpose is to facilitate access to work.

### **Gist of the opinion**

The Committee broadly approves the text of the proposal, regardless of any general and specific comments which it may propose to introduce into the text of the draft regulation.

Although the proposal's Explanatory Memorandum refers to reform and simplification of Regulation No 1408/71, its scope is in fact greater, since it introduces important amendments to the way certain matters are regulated compared to the current rules.

While improving the coordination of social security systems is unarguably a major step forward, the individual features of the national laws of each Member State should however be respected.

Obstacles which may hamper free movement can also affect citizens' right to work. The Committee considers that the proposal will definitely help to remove obstacles to cross-border movement of EU citizens, although much remains to be done.

In view of the complexity and importance of the draft regulation; the working methods adopted by the Council and Parliament; and the likely changes to the text during the legislative process at the hands of the different Council presidencies, and without prejudice to the following points, the Committee will establish a working formula enabling it to be continuously involved in the processing of the proposal.

### **Specific comments**

**Article 2:** The article determines the matters covered by the draft regulation, listing the types of benefits concerned. The initial sentence uses the expression "in particular" in referring to these benefits. This suggests either that such benefits are viewed as the main ones in a social security system, or that the draft regulation applies more particularly to these benefits than to others which are also mentioned in the text but not included in the list. Given this lack of definition, an open list

of benefits may give rise to legal uncertainty and undesirable effects.

It is stated in Article 6 that "this Regulation shall replace any social security convention falling under its scope". In Article 7 "Definitions", the third paragraph of indent (h) then states that the term "legislation" "also includes the social security conventions concluded between two or more Member States and one or more States not belonging to the European Union". This appears in principle to contradict the content of Article 6.

**Article 8:** The Committee notes that a difficulty exists for persons exercising representative functions vis-à-vis the EU institutions, including those working for Member State socio-economic organisations. It therefore considers that the European Commission should look closely at how it is decided which legislation applies to them.

**Article 9(1):** The Committee considers that the current possibility of derogation, contained in Article 14(1)(b) of the present Regulation 1408/71 should be maintained: Certain highly-qualified functions in the field of research and development, establishment of new technologies or other strategic services, where it is known from the outset that the posting will last for more than 12 months, raise problems which need to be examined in greater detail by the Commission.

**Article 10:** The legal certainty of the persons covered by the conditions described in the article must be adequately ensured. The Commission should therefore be urged to define clearly what is meant by "substantial" activity, in terms of precise figures, leaving no room for arbitrary or subjective application of the rules and taking the expected judgement of the EC Court of Justice on this matter, when it comes, into account.

**Article 18:** At the end of this article, the phrase "cannot be given such treatment within the necessary time" perpetuates the ambiguity of the present Article 22(1)(c).

Clarification from the Court of Justice on the exact scope of the Kohll and Decker judgments must be awaited, particularly in the light of two pending cases (Vanbraeckel and Smits-Peerboms), and the results of the study currently being carried out in this area by the European Commission will also have to be taken into account.

**Article 50(3):** This paragraph stipulates that the worker must return to the competent Member State if he has not found employment within the six months following the posting, if he wishes to continue receiving unemployment benefit in the competent Member State. The existing text limited this period to three months. The Committee agrees with the extension from three to six months.

**Section for Economic and Monetary Union and Economic and Social Cohesion**

**Arie Van De Graaf, Head of Division - ☎ (032-2) 546 9227**

**12. RECORDING TAXES AND SOCIAL CONTRIBUTIONS**

**Opinion of the Economic and Social Committee on the Proposal for a European Parliament and Council Regulation clarifying Council Regulation (EC) No. 2223/96 as concerns principles for recording taxes and social contributions (COM(1999) 488 final - 99/0200 COD)**

(CES 86/2000 - 99/0200 COD)

**Rapporteur-general: Vasco CAL (Portugal - Workers)**

**Gist of the Commission document**

It is proposed that taxes and social contributions recorded in the European System of national and regional accounts in the Community should exclude amounts not expected to be collected and that, as a consequence, taxes and social contributions recorded on the basis of the operative event are, within a reasonable period, equivalent to the corresponding amounts actually collected.

### Gist of the opinion

The Committee endorses the Commission proposal. At the same time, it urges strict application of the weightings for each category of taxes and social security contributions, since it feels that a blanket weighting would compromise the transparency and comparability of figures between Member States and make it more difficult to carry out the research needed to launch a gradual process of tax harmonisation in the European Union.

### 13. VAT - AUSTRIA AND PORTUGAL

**Opinion of the Economic and Social Committee on the proposal for a Council Directive amending Directive 77/388/EEC on the common system of value added tax - transitional provisions granted to the Republic of Austria and the Portuguese Republic**

(COM(1999) 703 final - 99/0272 CNS)

(CES 87/2000 - 99/0272 CNS)

Rapporteur-general: Mario SEPI (Italy - Workers)

### Gist of the Commission document

The Act of Accession of the Republic of Austria authorised Austria to apply a reduced rate to the letting of immovable property for residential use. Since 1 January 1999 the letting of immovable property for residential use in Austria has been exempt from VAT without the right to deduct input tax. However, Austria considers it still essential to apply the reduced rate, by derogation from Article 28 of the Sixth VAT Directive, since the transitional VAT regime is still in force and the situation has not really changed since the negotiation of its act of accession. The Commission therefore proposes an extension of the derogation.

Portugal applied a reduced rate of 8% to restaurant services before 1991. However, after a comprehensive amendment of the rates and for political and budgetary reasons, the normal rate was applied to restaurant services from 1992. Portugal considers it essential to reintroduce a reduced rate for these services, in order to avoid significant job losses in the sector and a further spread of the "black economy". The Commission proposes granting a derogation from Article 28 of the Sixth VAT Directive

allowing Portugal to apply a reduced rate to the restaurant sector.

### Gist of the opinion

The Committee endorses the Commission proposals.

### 14. MONEY LAUNDERING

**Opinion of the Economic and Social Committee on the Proposal for a European Parliament and Council Directive amending Council Directive 91/308/EEC of 10 June 1991 on prevention of the use of the financial system for the purpose of money laundering**

(COM(1999) 352 final - 99/0152 COD)

(CES 89/2000 - 99/0152 COD)

Rapporteur-general: Robert PELLETIER (France - Employers)

### Gist of the Commission proposal

The Commission underlines that financial market liberalisation must not endanger financial stability, and a reliable regulatory and supervisory framework is needed to make sure that such liberalisation and freedom of capital movements is not used for undesirable purposes. Since the 1991 Directive was adopted, both the money laundering threat and the response to that threat have evolved. Additional measures are needed to enhance the European Union's anti-money laundering effort. Updating and extending the 1991 anti-money laundering Directive is one of the priority objectives of the Action Plan for Financial Services, which was endorsed by the Cologne European Council in June 1999.

The main changes to the 1991 Directive in the Commission's proposal are the following:

- The prohibition of money laundering is widened to cover not only drugs trafficking but all organised crime.
- The obligations of the Directive are extended to certain non-financial activities and professions, e.g. external accountants and auditors, real estate agents and dealers in high-value goods.

- Co-operation between national authorities and the Commission in cases of illegal activities against the financial interests of the European Communities is required.

### **Gist of the opinion**

The Committee regrets that the draft directive - which is basically aimed at beefing up Europe's capacity to fight money laundering - does not devote enough space to necessary international co-operation. Action limited to the EU would be ineffective and might even lead to distortions of competition that would benefit financial institutions outside the EU. The aim should be to extend European anti-laundering machinery as much as possible to include countries that are notorious for their involvement in such criminal activity.

International financial institutions should draw up a charter or a code of good conduct with the European Commission including the basic recommendations of the OECD's Financial Action Task Force on Money Laundering (FATF); application of these recommendations would be one of the conditions for granting any financial aid.

Offshore centres that did not abide by the code of good conduct or opposed the openness of transactions (meaning especially the lifting of banking secrecy) should be cut off from international funds transfer systems. The preparation of a list of non-co-operative countries by the FATF should enable this procedure to be applied rapidly.

As the IMF is the only body able to impose such discipline, the section recommends that the Council and the Commission contact the IMF with a view to incorporating into its statutes effective machinery for imposing sanctions against countries and financial institutions that do not co-operate in the fight against money laundering. The application of sanctions should be entrusted to the international authorities responsible for regulating the financial and banking system: the BIS and the central banks.

The Committee finds it understandable that the successful application of the machinery provided for in the 1991 Directive is pushing the European Parliament, the Council and the Commission to extend the area of repression to include not only non-drugs related organised crime but also all serious offences. But the area of criminalisation is not the same as the area of declaration, and there is no definition of a "serious offence". Each state is free to draw up its own list. The Committee has noted with interest that the monitoring authorities prefer the concept of "organised crime". There is a real risk that the bodies responsible for preventing and combating laundering will be swamped - and therefore partially neutralised - by too many reports of suspicions. With experience, and provided financial institutions are given adequate feed-back on the effectiveness of their reports, the number of suspicious actions reported may decline. However, adequate resources must be provided by the appropriate authorities to ensure that follow-up actions are speedy and effective.

**Section for External Relations, Trade and Development Policy**  
*Georgina Willems, Head of Division - ☎ (32-2) 546 9471*

### **15. THE ECONOMIC AND SOCIAL SITUATION AND THE ROLE OF THE SOCIO-PROFESSIONAL ORGANISATIONS IN CYPRUS** (*Information Report*)

**Information Report of the Economic and Social Committee on "The economic and social situation and the role of the socio-professional organisations in Cyprus"**

(CES 291/99 fin)

Rapporteur: Giacomina CASSINA (Italy - Workers)

### **Background**

The government of the Republic of Cyprus submitted an application for membership of the European Communities (later European Union) on 3 July 1990. The Council asked the Commission to draw up an opinion on the application in accordance with the relevant provisions of the Treaties.

The Commission submitted its opinion to the Council in July 1993.

The European Council repeatedly stated that negotiations on the accession of Cyprus would begin six months after the conclusion of the Inter-Governmental Conference (IGC) which resulted in the Treaty of Amsterdam, signed on 2 October 1997.

The European Council at its meeting in Luxembourg in December 1997 took the decisions necessary to begin enlargement negotiations with Cyprus. The European Council further stated that "The accession of Cyprus should benefit all communities and help to bring about civil peace and reconciliation. The accession negotiations will contribute positively to the search for a political solution to the Cyprus problem through the talks under the aegis of the United Nations which must continue with a view to creating a bi-community, bi-zonal federation. In this context, the European Council requests that the willingness of the Government of Cyprus to include representatives of the Turkish Cypriot community in the accession negotiation delegation to be acted upon".

The negotiations were opened formally at a ministerial meeting on 31 March 1998.

The Luxembourg European Council also decided on a specific pre-accession strategy for Cyprus based on participation in projects in the field of justice and home affairs, in certain Community programmes and agencies as well as in technical assistance provided by the Technical Assistance Information Exchange Office (TAIEX).

The information report will focus on the economic and social situation in Cyprus and the role of the socio-professional organisations in the context of the enlargement process. The report will serve to broaden the work of the ESC as far as the enlargement process is concerned. It also will help the ESC make a greater contribution to the Euromediterranean partnership and will serve as a basis for discussion of this issue within the framework of the EU - Turkey Joint Consultative Committee.

#### **Gist of the information report**

In October 1999, the Commission published the second "Report on Cyprus' progress towards accession". Consequently, this report merely recaps the

main trends, and focuses mainly on the opinions of the leading trade union and employer bodies in Cyprus with regard to the social and economic problems the country is addressing. To gain the current views of the socio-professional organisations, some interviews with senior officials from the main trade union and employer bodies in Cyprus were carried out between 19 and 23 March. Thereafter, between the 20 and 23 June, the study group from the External Relations subcommittee of ECOSOC visited Cyprus for discussions with representatives from the socio-professional organisations and various government ministries.

Economic growth rates have generally been high in the Republic of Cyprus and stand as a remarkable record of the unprecedented rebuilding undertaken following the events of 1974 which led to the Turkish army occupying the north and to division of the island. The 1990s have witnessed some years of slower growth (1991, 93, 96 and 97): annual average GDP growth in the 1980s was close to 6%, but in the 1990's it looks to be closer to 4%. After two years of below trend growth, last year saw a recovery, estimated by the Ministry of Finance to be around 5%. The forecast from this Ministry for 1999 is for GDP growth to moderate to 5%. However, it should be noted that growth last year was not matched by an increase in output, with a weak performance in the manufacturing sector up by 1.6% on 1997 and negative growth in the construction sector. Strong growth in the service sector in both tourism and banking and financial services proved to be the driving force behind the recovery. The service sector has dominated the economy. Its share of value added within GDP rose from 68% in 1993 to nearly 73% in 1997. By contrast, over the same period the share of value added to GDP accounted for by the manufacturing and construction sector fell by nearly two percentage points.

Whilst both social partners see advantages in accession to the EU, it is plain that the unions see entry mainly as a means to help them to hold on to the collective rights and influence they currently enjoy. For the employers the advantages are perceived as being purely economic. It was significant that the unions felt that the balance of effort during the pre-accession phase was tilted heavily in favour of economic adjustments and away from social improvements. For the employers the opposite was the case. They felt that progress on economic issues was very slow and too much emphasis had



been placed on social improvements which they believed could have been left until later.

Progress on the central economic reform - the liberalisation of the monetary system - remains slow. The Commission's opinion on the application of Cyprus for membership produced in 1993 had identified the restrictions on flows of capital as incompatible with EU membership. This view was echoed in the Commission's regular progress reports published in 1998 and 1999. Whilst some progress has been made, capital flows are still restricted. Current interest rate policy dictates that the lending rate should not exceed 9%. At the time of writing the lending rate was 8% and the rate for savers 6%. With inflation at 2.2% such rates plainly favour savers, whilst borrowers are forced to pay significantly higher rates than are available elsewhere in the EU. Converging interest rates with those set by the European Central Bank plainly offers a major challenge to the government of the Republic of Cyprus as does the liberalisation of the capital market. Both developments run the risk of creating "overheating" in the economy with potentially inflationary implications. In June 1999 a bill was put before parliament to abolish the ceiling on interest rates. Agreement appeared to have been reached in principle concerning the desirability of such a move although no agreement had been reached as to the timing of the change.

The economic and social performance of northern Cyprus has been problematic, and generally indicative of something of a lag. Inflation, according to data published by the body responsible for "state planning" in the north, has ravaged the north's economy continuously over the last fifteen years from a low point of 46% in 1991 to a high of 215% in 1994. Compare this with the inflation record of the south where price rises have seldom been more than 3% per year over the same period. Rises in the prices of foodstuffs in the north, and the adoption of the Turkish Lira (TL) which suffers, in Turkey, from a similar inflation rate, were predominantly responsible for these high levels. In 1994 alone, for example, prices of food more than doubled. The de-stabilising effect of inflation of this order can be seen in the increases in the minimum wage recommended by the body responsible for fixing a wages framework in the north, which resulted in the minimum wage being increased from TL 90,000 in January 1987 to TL 23,000,000 in January 1997. Wage indexation has operated in the economy since 1983 and since

1990 inflation adjustments to wages have been made every two months.

Trade unionism on Cyprus is well established and widespread. Recent estimates put membership density as high as 75% of the working population. The present trade unions can trace their origins as far back as 1915, although the first serious efforts to form trade unions took place in the 1920s. There are currently two main federations in the Republic of Cyprus: the PEO and the SEK which account for around 75% of all union members. Alongside these two central bodies there are powerful individual unions for public employees (PASYDY) bank employees (ETYK) and unions for teachers and other industrial and occupational groups.

Employers associations and Chambers of Commerce and Industry are also well established on the island. The Chambers of Commerce and industry which operate on a regional district and island-wide basis (KEBE) date back to 1927. The main central body - the Employers and Industrialists Federation (OEB) - is more recent in origin being founded in 1960. Currently, the Chambers of Commerce and Industry comprise 5 regional chambers and have 100 professional employers associations in affiliation. The OEB has some 42 individual employer associations. Along with the OEB, the Chamber of Commerce and Industry provides the other organising forum for employers. Between them, it is estimated that the firms affiliated to these bodies cover more than 90% of the workforce in the private sector.

Tripartite social dialogue has long played an important role in Cyprus and the practice is embedded in bodies such as the Economic Advisory Board, the Labour Advisory Board, the Social Insurance Council, the Redundancy Fund Council, the Industrial Training Authority Board, the Pancyprrian Health and Safety Council, the Price Control Committee and the Industrial Disputes Tribunal. Wages and conditions of employment are, for the majority of employees, covered by nationally negotiated collective agreements. The procedures for promoting bargaining and resolving disputes - which includes binding arbitration - are laid down in the Industrial Relations Code which was agreed in 1977. The Code also lays down procedures for direct negotiations and mediation which are said to have contributed considerably to the settlement of disputes and the maintenance of industrial peace. It is clear that the unions have been successful in achieving levels of pay and conditions that com-

pare favourably with other EU Member States and are much better than in the other applicant countries. They are also recognised as having played a vital and constructive role in the rebuilding of the Republic after partition in 1974 both socially and economically. They have, for example, always played an important social role with their medical scheme and provident funds which provide key services and retirement benefits to their members.

Clear differences have emerged between the unions and the employers bodies concerning future liberalisation of the economy and the labour mar-

ket. The KEBE and OEB, for example, strongly supported privatisation of parts of the public sector and plainly favoured greater flexibilisation and deregulation of the labour market. As might be expected, the unions took the opposite view on these issues. Whilst there was plainly scope for disagreement here, both employers organisations felt that with dialogue a solution could be found.

*The Committee decided to forward this information report to the other EU institutions*

## **II. FUTURE WORK**

### ***FOR INFORMATION***

- Maritime consortia (additional opinion) (TEN-MARCH I)
- Air transport and environment (TEN-MAY)  
COM(1999) 640 final
- Production aid for cotton (NAT-MARCH II)  
COM(1999) 492 final - 2000/0202 CNS
- Common market/Milk in schools (NAT-APRIL )  
COM(1999) 608 final - 1999/0246 CNS
- Action programme to combat discrimination (2001-2006) (SOC-MAY)  
COM(1999) 567 final - 1999/0251 CNS

### ***FOR DECISION***

- Towards a European research area (Communication) (INT-JULY)  
COM(2000) 6 final
- Guidelines for audiovisual policy in the digital age (Communication) (TEN-JULY)  
COM(1999) 657 final
- Environment and sustainable development (Communication) (NAT-MAY)  
COM(1999) 543 final

### ***IN ANTICIPATION***

- Marketing of dangerous substances (azocolourants) (INT-MAY)  
COM(1999) 620 final - 1999/0269 COD
- Dangerous substances and preparations (toxic to reproduction) (INT-APRIL)  
COM(1999) 746 final - 2000/0006 COD
- Exchange of information with third countries (INT-to be decided)  
COM(1999) 748 final - 2000/0014 COD
- Media - Training and distribution (2001-2005) (TEN-JULY)  
COM(1999) 658 final - 1999/0275 COD - 1999/0276 CNS
- Combined transport EC/Bulgaria-Hungary (TEN-MAY)  
COM(1999) 667 final - 1999/0264 COD

- Authorisation of satellite personal communication services (**TEN-APRIL**)  
COM(1999) 745 final - 2000/0020 COD
- Aid for coordination of rail, road and waterway transport (amending Regulation 1107/70) (**TEN-APRIL**)  
COM(2000) 5 final
- Service obligations in passenger, road, rail and waterway transport (**TEN-JULY**)  
COM(2000) 7 final
- Trade arrangements for certain processed agricultural goods (**NAT- to be decided**)  
COM(1999) 717 final - 1999/0284 CNS
- White Paper on food safety (Communication) (Conversion of own-initiative opinion in anticipation of referral) (**NAT-MARCH II**)  
COM(1999) 719 final
- Precautionary principle (Communication) (**NAT-MAY**)  
COM(2000) 1 final
- Undesirable substances in animal feedingstuffs (**NAT-MARCH II**)  
COM(1999) 654 final - 1999/0259 COD
- Marketing of compound feedingstuffs (**NAT-MARCH II**)  
COM(1999) 744 final - 2000/0015 COD
- European refugee fund (**SOC-APRIL**)  
COM(1999) 686 final - 1999/0274 CNS
- Mobility for students, trainees, teachers etc. in the Community (**SOC-to be decided**)  
COM(1999) 708 final
- European cooperation on quality evaluation of school education (**SOC-to be decided**)  
COM(1999) 709 final
- New Framework Programme on equality of the sexes (**SOC-to be decided**)  
SEC(2000) 103 final
- The Commission and NGOs - strengthening the partnership (Communication)  
COM(2000) 11 final

### **III. PRESENCE AND INFLUENCE OF THE ECONOMIC AND SOCIAL COMMITTEE**

#### **Activities of the ESC presidency**

Mrs Rangoni Machiavelli made a speech at the conference on the transatlantic century, organised by the ASPEN Institute on 13 January in Rome. The conference had examined the issue of preventing conflicts in Europe and had also been attended by the new NATO secretary-general, Lord Robertson.

The ESC president also participated in a conference organised by the Portuguese presidency on 19 January in Lisbon on the role of the social partners in the development of the European social model. Two days later Mrs Rangoni Machiavelli made the opening address at the Committee's Conference on Civil Society, Democratisation, Participation and the Stability Pact for South-Eastern Europe, held in Thessaloniki, Greece (see *Other News*, below, for more details of this event).

#### **Activities of sections and members**

Mrs Anna Diamantopoulou, European Commissioner with responsibility for employment and social affairs, made a statement on the Commission's priorities at a meeting of the Section for Employment, Social Affairs and Citizenship on 16 December.

Mr David Byrne, European Commissioner for health and consumer protection, addressed the Section for Agriculture, Rural Development and the Environment on 17 December. He spoke on the subject of food safety and consumer protection.

#### **Other News**

- **Conference on the "*Value and evolution of welfare associations in a Europe in the throes of integration - their contribution to building a European civil society*" at the ESC building, Brussels, on 17 December**

The event was organised jointly by the German federal ministry for family affairs and the ESC, and brought together welfare associations from Finland, Portugal, France and Germany. They gave an account of their tasks and activities and explained their points in common and their differences. The aim was to open the debate with the contribution of national welfare associations to setting up a European social model. The discussion was concerned, among other things, with the guaranteeing of social rights and the drawing-up of a European charter of basic rights, together with an appropriate framework for competition in the field of social benefits.

Three ESC opinions served as a basis for discussion: Co-operation with social welfare associations (rapporteur: Mrs Socha zu Eulenburg, Various Interests Group, Germany); Promoting the role of associations and foundations in Europe (rapporteur: Mr Jan Olsson, Various Interests Group, Sweden); and The role and contribution of civil society organisations in the building of Europe (rapporteur: Mrs Anne-Marie Sigmund, Various Interests Group, Austria).

*"Welfare associations represent an essential part of civil society and social dialogue, but also of the social economy. For these organisations the ESC acts as a forum where they may express their views and attract other organisations and associations to their cause. Welfare associations need partners and allies, both in civil society and in the European institutions"* said one of the ESC rapporteurs, Mr Olsson.

- **Conference on *Civil Society, Democratisation, Participation and the Stability Pact for South-Eastern Europe*, Thessaloniki, Greece, 21 January**

On 21 January the European ESC organised a conference on strengthening civil society and economic development in South-Eastern Europe. The event was held in conjunction with the Greek Economic and Social Council and the Royaumont Process for stability and good neighbourliness in South-Eastern Europe.

Conference participants underscored the need for effective action to develop the Stability Pact. A key component was an Action Plan to promote social and civil dialogue in each of the countries, and to foster networking between the organisations concerned - employers' groups, trade unions, consumer and voluntary associations, and so on - in South-Eastern Europe and elsewhere. These links should ensure that such organisations receive practical help from similar bodies in neighbouring countries or in an EU Member State. The Action Plan was given the full support of the Ministers of Labour of the South-Eastern European countries concerned, meeting the following day.

#### **IV. RESIGNATIONS/CHANGE IN SECTION PRESIDENCY**

The president informed the assembly of the resignation of the following members:

- **Mr Wolfgang Warburg (Group II - D)**, ESC member since 20.9.98;
- **Mr Markku Lemmetty (Group II - FI)**, ESC member since 1.1.95; and
- **Mr Thomas Jenkins (Group II - UK)**; ESC member from 18.7.77 to 30.4.79 and from 1981 onwards. Mr Jenkins served as vice-president of the Committee from 1988 to 1990, president of Group II from 1990 to 1996, and president of the Committee from 1996 to 1998.

The assembly approved the election of **Mr Kommer de Knegt** (Group II - NL) as president of the Section for the Single Market, Production and Consumption (Rule 14.3 of the Rules of Procedure) to replace **Mr Klaus Schmitz** (Group II - D).

#### **V. INFORMATION VISITS**

A total of 57 groups visited the ESC during the period between the December and January plenaries.

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